

EMPLOYEE DISHONESTY/CRIME COVERAGE REQUIREMENTS

FOR MANAGEMENT AGENTS OF MSHDA-FINANCED HOUSING DEVELOPMENTS

The Michigan State Housing Development Authority requires management agents to protect themselves and development owners against losses resulting from employee dishonesty by purchasing a General Crime or Employee Dishonesty Insurance Policy. This requirement is also intended to secure the Authority's mortgage interest and the financial stability of the development in the event of a loss. Following are the specific requirements for the policy:

1. A. New Agents: A complete copy of the original policy must be submitted when providing evidence of new coverage.
- B. Renewal of Existing Coverage: Certificates of insurance are acceptable, binders are not acceptable.
- C. Existing Agent Adding New Project to Existing Policy: An endorsement to the policy is required.
2. Blanket coverage is acceptable, provided the policy names each development covered and only includes MSHDA-financed developments.
3. The amount of the policy shall be determined by the sum total of the required amount of insurance for all developments covered by the policy. 'Per occurrence' policies are also required to maintain these coverage limits. The amount of coverage required for each development shall be stated on the policy.
4. The amount of coverage required for each development is determined by program type:
 - A. Section 8 developments must provide coverage equal to one month's gross rent potential or not less than \$100,000.
 - B. All non-Section 8 developments must provide coverage equal to two months' gross rent potential or not less than \$100,000.
 - C. The policy shall provide Forgery coverage in an amount not less than \$100,000.
5. The policy shall cover all employees without exception. For blanket policies provided by managers, all owners must be listed as named insureds.
6. The policy must provide that the Authority will receive at least 30 days written notice of cancellation.

Employee Dishonesty/Crime Coverage Requirements
Page 2

7. The policy must indicate the effective date and the ending date of coverage. Open-ended policies will require annual verification of the existence of coverage prior to the policy anniversary date. Proof of coverage for new developments must be provided no less than seven days prior to the anticipated closing date or assumption of management responsibilities..
8. Notice from the insurance company of increased coverage limits must be provided to the Authority prior to the effective date of a rent increase if the rent increase makes the existing coverage insufficient; and verification of continued coverage must be provided at least once per year prior to the renewal date of the policy.
9. The cost of the policy premium is an eligible development expense. The cost of a blanket policy must be prorated among the developments based on the amount of required insurance for each development. Also, the cost proration must be verified in the annual certified audit.
10. It is the responsibility of the development owner(s) and management agent to ensure that the above requirements are included in the policy.